



# NOTES FROM THE:

## Director, Defense Finance and Accounting Service—Denver Center

by Mr Steve E. Turner

### DFAS Strategy and Direction—Your Financial Partner @ Work

When DFAS was formed in January 1991, we embarked on the most significant and dynamic change in the history of DoD financial management. We were formed to streamline financial operations and services within DoD, eliminate redundancies in financial systems, and standardized finance and accounting operations. Embracing technological advancements, we have been able to reduce our employees from 27,000 in 1993 to 20,000 in 1998 and we will further reduce to 16,600 by 2003. Throughout all of the change, our mission has continued to be to provide responsive, professional finance and accounting services to the DoD.

Under the direction of Mr Tom Bloom, the director for the past year, we have clarified our focus to become a world-class provider of finance and accounting services, with a strong corporate identity; a trusted, innovative financial advisor; and an employer of choice, providing a progressive and professional work environment. We must be competitive and provide the best value to our customers, the military services, and ultimately the United States taxpayer.

DFAS is the world's largest finance and accounting operation. Each month DFAS disburses more than \$24 billion in payments to more than 5.4 million DoD military service members, civilians, military retirees and annuitants, contractors, and vendors. By partnering with our Air Force customers, our goal is to provide better, faster, and more cost-effective service.

Employee/Member Self Service (E/MSS). One way we are improving service to our customers is through the E/MSS program, which allows DoD civilians, military service members, military retirees, and annuitants, to update their pay information online. Users have two options for accessing the system—through the Internet or by using a touch-tone telephone and accessing the Interactive Voice Response System (IVRS). Customers can change their Federal tax (W-4) withholding status and exemptions; start, stop, or change allotments (this feature is not a part of the annuitant payroll system); change correspondence and home addresses; and update financial institution's electronic funds transfer (EFT) information.

E/MSS was made available to DoD civilians, retirees, and beneficiaries in March. Access for active duty,

Guard and Reserve military members is scheduled for July.

Web Invoicing System (WInS). Another initiative is the vendor payment system WInS. Using the system, vendors electronically invoice DFAS using web-based technology. Contractors access the system through a user-ID and password. To submit a WInS invoice, the contractor completes the invoice or voucher information on a preformatted screen. This system produces faster transactions at a lower cost.

Finance and Accounting Systems. We are using technology to streamline and upgrade our payment and accounting systems. We inherited 324 separate finance and accounting systems. Through technological advancements we have eliminated the need for 226 systems, and will continue reducing the total number of systems. By FY 03 we will have only 32 finance and accounting systems. As we reduce the number of systems, we are searching for ways to modify or adapt available systems to meet our increasingly complex requirements.

A-76 (Competitive Sourcing). Following the rules outlined in OMB Circular A-76, DFAS has been directed to study 6,280 civilian positions for possible privatization by the year 2003. The competition drives better efficiency and higher performance through encouraging maximum innovation while saving taxpayer dollars. DFAS successfully competed and won studies in administration operations, facilities, logistics and the consolidation of debt and claims management and vendor payments. By implementing our most efficient organization, developed for our competition in the studies to streamline operations, DFAS has realized annual savings of \$23 million.

The Denver Center, we have been undergoing A-76 studies in civilian pay and annuitant pay. The DoD Inspector General, in its capacity as independent reviewer of A-76 products, found ambiguities with the DFAS Requests for Proposal (RFP). Specifically, that workload and guidance did not adequately support the requirements in the RFP. After reviewing DFAS' A-76 processes and the solicitations, Director Bloom concluded that there were sufficient concerns to warrant a

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reexamination of the studies and the closing dates of the receipt of bids were extended. He feels these actions will enable the agency to have a better process and better solicitations.

“During the course of the past two years, we have published draft solicitations for comment, conducted two bidders’ conferences and extended the solicitations—all at the request of the private sector”, said Mr Bloom. “I intend to bring the civilian and retiree and annuitant payroll studies to closure as soon as possible. I remain confident that we are pursuing the proper course of actions and that these efforts will move us closer to our goal of providing world-class payroll services to our customers.”

Final selection is expected in July 2001 for the civilian pay study, and August/September 2000 for the retiree and annuitant pay study.

An A-76 study for Security Assistance Accounting was announced in April with expected completion in spring 2001.

We anticipate significant cost savings from these competitions.

**Chief Financial Officer Reporting.** One of the biggest hurdles facing financial management in the department is creating financial statements that earn a clean opinion from our auditors. To achieve an unqualified opinion on the component and DoD-consolidated financial statements will take a concerted effort by everyone. In 1999, the OUSD(C) with the assistance from the auditors, Services, and DFAS, developed strategies covering areas identified by auditors as showstoppers to DoD achieving an unqualified opinion. Implementation of these strategies will address the problems and will enable the auditors to validate the large balances on the DoD financial statements.

We are taking aggressive action to meet new Federal accounting standards. Our long-term strategy is to reengineer or replace DoD financial systems to meet these standards and interface with the Department’s other systems. Much of the information needed for sound financial management originates in systems under control of DoD’s financial community, even more comes from non-financial feeder systems, like personnel, acquisition, logistics and medical systems. Financial management is not the primary purpose of these systems, so they need to be adapted to meet these requirements. The DFAS projects implementation of CFOA compliant accounting and DFAS-owned critical feeder systems by 2005.

In the short-term, we are working with our customers to move towards a favorable auditing opinion. Recently, the OUSD(C) authorized selected Other Defense Organizations (ODO) to contract out their annual audits with a private audit firm. Our support of these ODOs is of primary importance to DoD. We are currently developing memorandums of agreement and CFOA compliance plans with each of these activities. Ultimately, I feel the combined efforts of our Center working hand in hand with our customer will overcome many of our shortfalls and will result in DoD achieving an unqualified opinion on its CFOA financial statements.

We will continue to work closely with you, our Air Force partners to be Your Financial Partner @ Work.

